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RUEHRI/AMCONSUL RIO DE JANEIRO 3350  
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RHEFHL/DEPT OF HOMELAND SECURITY WASHINGTON DC  
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S E C R E T SECTION 01 OF 02 BRASILIA 002420

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TREASURY FOR TFI - HEFFERNAN  
TREASURY FOR FINCEN - SHOWELL  
DHS FOR ICE - D.THOMPSON  
STATE FOR S/CT - NOYES  
STATE FOR WHA - D. MCCARTHY/C.CROFT  
STATE FOR EB/ESC - DAS SIMONS AND JEAN CLARK

E.O. 12958: DECL:12/17/2026  
TAGS: [KTFN](#) [EFIN](#) [PTER](#) [SNAR](#) [ETTC](#) [PREL](#) [BR](#)  
SUBJECT: BRAZIL - NEED FOR A STRATEGY ON THE TBA TERROR FINANCE  
DESIGNATION PACKAGE

REF: 11/15 Jean Clark Email

BRASILIA 00002420 001.2 OF 002

Classified by Charge d'Affaires Phillip T. Chicola, Reasons 1.4  
(B) and (D).

¶1. (U) This is a message for Treasury Assistant Secretary  
Patrick O'Reilly from Charge Phillip Chicola.

¶2. (S/NF) Summary and Comment: Embassy understands that  
Treasury and other Washington agencies are moving forward with  
plans to designate on November 21, 2006 several individuals who  
operate in the Tri-Border Area (TBA), including several  
Brazilian citizens/residents, as terrorist financiers for their  
support for Hezbollah. While post supports inclusion of the  
specific names proposed, which are well known to agencies  
represented at post, Embassy Brasilia recommends that the date  
for the designation be postponed in order to implement a  
strategy for obtaining Brazilian cooperation in disrupting these  
terrorism finance networks. As the Brazilian government on the  
policy-making level has repeatedly questioned the evidence of  
terror financing in the TBA, and has made multiple requests that  
we share our evidence of such with them, the GoB would react  
poorly (and most likely would decline to move forward with any  
asset freezes) if the USG were to publicly designate Brazilian  
individuals/entities without having first informed it.  
Moreover, Post believes that the disruption of these terror  
finance networks would be best accomplished by pursuing  
cooperation first through law-enforcement channels. End Summary  
and Comment.

¶3. (S/NF) Our difference of views with the GoB policy-level over  
the possibility of terror finance in the TBA is well known. The  
GoB repeatedly has challenged the USG to share its evidence of  
terror finance in the TBA, and has only reluctantly allowed  
reference to the possibility of such activities into official  
statements, such as the communique issued annually by the  
3-plus-one regional counterterrorism forum. While these  
information requests may in fact only be a bluff or rhetorical

debating point, by sharing our evidence -- at a minimum with our vetted units in the intelligence service and perhaps the police as well -- we either will obtain their cooperation, or call their bluff. By not sharing our information we will alienate the decision-makers whose actions are required to freeze any Brazilians assets belonging to these individuals will not cooperate in that effort. By contrast, if we have shared our case with the GoB and they decline to take action, we put them on the defensive and would be better able to focus private and public debate on the bigger issues here, such as Brazil's failure to acknowledge Hezbollah as a terrorist organization.

¶4. (S/NF) Other factors also argue for delaying the designation.

Designating without coordinating with the Brazilians would have the potential to poison the next meeting of the 3-plus-one group, currently scheduled for December 3-4 in Buenos Aires. Moreover, as this is the first time we would be designating Brazilian citizens, it is worth making the attempt to get it right (the original Barakat case is not quite a precedent as he already was extradited to Paraguay on tax evasion charges when the USG designated him). Finally, designating these individuals without first obtaining Brazilian cooperation in identifying and freezing assets would leave the door wide open to asset flight, particularly since these individuals would not be subject to designation by the United Nations.

¶5. (S/NF) Regardless of how and when we ultimately approach the GoB policy level, Post recommends that the USG pursue a strategy that seeks to disrupt these individuals' networks through law-enforcement channels first. Law enforcement agencies at post have strong working level relationships with their Brazilian counterparts, many of whom are more willing to be forward leaning in cooperating with the USG than the policy level is. Post believes it would be possible to use these strong relationships to effect investigations and seizures of these individuals' assets were the USG to provide through law

BRASILIA 00002420 002.2 OF 002

enforcement channels information on their criminal or illicit dealings incident to terror finance (i.e money laundering, contraband, drug dealing, evading foreign exchange transaction reporting requirements etc.). This strategy makes sense given that there are Brazil-based financing networks that ought to be disrupted, that there is evidence of criminal activity incident to the terror finance activity and that the GoB policy level may prove unresponsive to the level of evidence of terror finance that we may be limited to sharing. In this strategy, designation would come well after the apprehension and disrupting of these individuals' activities.

¶6. (S/NF) Post is ready to engage the Brazilians on this in a way that optimizes the chances of success in disrupting these individuals' activities.

CHICOLA